

MINUTES OF MEETING

STATE OF WISCONSIN GROUP INSURANCE BOARD

Tuesday, August 30, 2005

DRAFT

Sheraton Hotel - Madison
706 John Nolen Drive
Madison, WI 53719

BOARD PRESENT:

Stephen Frankel, Chair
Randy Blumer, Vice-Chair
Esther Olson, Secretary
Robert Baird
Martin Beil
Janis Doleschal
Jane Hamblen
David Schmiedicke
Gary Sherman
Karen Timberlake

PARTICIPATING ETF STAFF:

Eric Stanchfield, Secretary
Dave Stella, Deputy Secretary
Tom Korpady, Administrator, Division of Insurance Services
Bill Kox, Director, Health Benefits & Insurance Plans Bureau
Sharon Walk, Group Insurance Board Liaison
Robert Weber, Chief Counsel

OTHERS PRESENT:

Larry Bach, Blue Cross Blue Shield of Wisconsin
Michelle Baxter, Division of Trust Finance and Employer Services
Marcia Blumer, Division of Insurance Services
Lydia Colon, Blue Cross Blue Shield of Wisconsin
Andrea Darling, United Health Care
Liz Doss-Anderson, Division of Management Services
Linda Esser, Division of Management Services
Colleen Evans-Carter, Compcare Blue
Christy Fleischer, Department of Corrections
Brian Fusie, Office of State Employment Relations
Karen Galbraith, United Health Care
Charlotte Gibson, Department of Justice
Steve Grob, Division of Insurance Services
David Grunke, Wisconsin Physicians Service
Emily Halter, Group Health Cooperative South Central
Paul Hanks, Office of State Employment Relations
Carrie Helms, Network Health Plan
Pamela Henning, Division of Management Services
Steve Hurley, Division of Management Services
Kathy Ikeman, Unity Health Insurance
Lynn Jarzombek, Division of Retirement Services

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Joy Kaiser, Medical Associates Health Plan
Nancy Ketterhagen, Office of the Secretary
Sari King, Division of Retirement Services
Arlene Larson, Division of Insurance Services
Christina Licari, Division of Management Services'
Julie Maendel, Deloitte Consulting LLP
Eileen Mallow, Office of the Commissioner of Insurance
Wendy Mayer, EPIC
Gloria Melvin, Blue Cross Blue Shield of Wisconsin
Paul Merline, Wisconsin Association of Health Plans
Nancy Nankivil Bennett, Office of the Secretary
Peg Narloch, Division of Insurance Services
Deborah Nelson, Dean Health Plan
Kris Nichols, Wisconsin Physicians Service
Bob Olafson, Minnesota Life Insurance Company
Tim Ottosen, Wisconsin Physicians Service
Jim Pankratz, Office of State Employment Relations
Pat Pechacek, Deloitte Consulting LLP
Paul Perkins, Group Health Cooperative
Mary Pierick, Division of Insurance Services
Diane Poole, Division of Insurance Services
Vicki Poole, Office of the Secretary
Beth Ritchie, University of Wisconsin System Administration
Donna Rodenkirch, Department of Corrections
Paul Romuald, Minnesota Life Insurance Company
Paul Rudeen, Minnesota Life Insurance Company
James Searcy, Deloitte Consulting LLP
Chris Schmelzer, Minnesota Life Insurance Company
Sam Schmirler, Gundersen Lutheran Health Plan
Ron Sebranek, Physicians Plus Insurance Corporation
Mel Sensenbrenner, State Engineers Association
Sonya Sidky, Division of Insurance Services
Brian Siegenthaler, Dental Blue
Matt Streiff, EPIC
Jill Thomas, Office of State Employment Relations
John Vincent, Division of Trust Finance and Employer Services
Al Wearing, Blue Cross Blue Shield of Wisconsin
Tom Wendlick, Blue Cross Blue Shield of Wisconsin
Nancy Wenzel, Wisconsin Association of Health Plans
Steve Werner, Wisconsin Professional Police Association
Brandon Widell, United Health Care
Ann Wienrow, Department of Transportation
Jack Wilson, University of Wisconsin System Administration
Marilyn Windschiegel, Wisconsin Education Association Trust
Cliff Wullschleger, John Hancock
Kari Zika, Division of Insurance Services
Art Zimmerman, Legislative Fiscal Bureau

Mr. Frankel, Chair, Group Insurance Board (Board), called the meeting to order at 8:34 a.m.

Mr. Korpady introduced Steve Hurley to the Board. Mr. Hurley is the new Director of the Quality Assurance Services Bureau.

CONSIDERATION OF MINUTES OF JUNE 21, 2005, MEETING

MOTION: Mr. Blumer moved approval of the minutes of the June 21, 2005, meeting as submitted by the Board Liaison. Ms. Olson seconded the motion, which passed without objection on a voice vote.

MOTION TO CONVENE IN CLOSED SESSION

Mr. Frankel announced that the Board would convene in closed session pursuant to the exemptions contained in Wis. Stats. § 19.85(1)(e) for deliberations that involve the expenditure of public funds. Staff from the Department of Employee Trust Funds (ETF), Office of State Employment Relations (OSER), Office of the Commissioner of Insurance (OCI), and Deloitte Consulting were invited to remain during closed session.

MOTION: Mr. Beil moved to convene in closed session pursuant to the exemptions contained in Wis. Stat. § 19.85 (1)(e) for deliberations that involve the expenditure of public funds. Ms. Timberlake seconded the motion, which passed without objection on the following roll call vote:

Members Voting Aye: Baird, Beil, Blumer, Doleschal, Frankel, Hamblen, Olson, Schmiedicke, Sherman and Timberlake.

Members Voting Nay: None.

The Board convened in closed session at 8:38 a.m. and reconvened in open session at 10:46 a.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Mr. Korpady announced that the Board took the following action during the closed session:

- The Board accepted the recommendations of staff and the actuaries regarding changes to the Uniform Benefits.
- The Board accepted the actuaries' recommendation regarding the self-insured plans. Mr. Korpady was pleased to report that there will be single digit increases for the state and local government health insurance programs. In addition, state retirees who are covered under Medicare +1,000,000 will experience an 11.1% reduction in premiums. This follows the 6% reduction last year for the state group. For the local government group, the Medicare supplement plan will have an 8.5% reduction.

- The Board accepted the assignments for service area qualifications and the tier assignments as recommended by the actuaries and approved the methodology used by the actuaries to set tiers.

LIFE INSURANCE PROGRAM ANNUAL REPORT

Paul Rudeen, Minnesota Life Insurance Company (MLIC), presented a summary of the overall highlights of 2004. Mr. Korpady mentioned that MLIC would be invited to the Board's November meeting in order to allow MLIC an opportunity to provide an in-depth review of the life insurance program.

Mr. Rudeen presented three different reports: 1) *2004 Policy Year Report*; 2) *Group Life Insurance Plan Coverages for State Employees and Their Spouses and Dependents*; and 3) *Group Life Insurance Plan Coverages for Local Government Employees and Their Spouses and Dependents*.

State Group Life Insurance Plan

Under the state portion of the program, both the employee and the spouse and dependent component had claim results that were higher than the targeted levels. These claims were offset by lower than expected waiver-of-premium disability claims.

MLIC recommended the following:

- employee and employer premium contribution rates be continued at the current levels for the 2006 policy year;
- spouse and dependent insurance benefits and premiums be continued at the current levels for the 2006 policy year; and
- no change to the stop-loss rate for 2006.

Local Government Group Life Insurance Plan

Under the local component of the plan, high death claims were offset by low waiver-of-premium disability claims.

MLIC recommended the following:

- employee and employer premium contribution rates be continued at the current levels for the 2006 policy year;
- spouse and dependent insurance benefits and premiums be continued at the current levels in 2006 based on recent experience and due to the large stabilization reserve balance; and
- no change to the stop-loss rate for 2006.

MOTION: Mr. Beil moved acceptance of the Life Insurance Program Annual Report and approval of the 2006 premium rates. Ms. Hamblen seconded the motion, which passed without objection on a voice vote.

LONG-TERM DISABILITY INSURANCE

Mr. Searcy presented the *Long-Term Disability Insurance Plan 2006 Premium Development* report. Mr. Searcy noted that the Reserve for Future Claims has decreased for the first time. This is the expected outcome due to the combination of the immaturity of the plan's experience and the suspended premium payments. However, the plan still has sufficient funds. The large positive funded status will enable the plan to continue to suspend premium payments.

MOTION: Mr. Sherman moved acceptance of the "Long-Term Disability Insurance Plan 2006 Premium Development" report and approval of the 2006 premium rates. Mr. Blumer seconded the motion, which passed without objection on a voice vote.

OPTIONAL EMPLOYEE PAY-ALL INSURANCE PLANS

The University of Wisconsin requested approval from the Board to accept the DentalBlue proposal to increase premium rates by 10% on average over the three plans offered to University employees. Deloitte Consulting has reviewed the proposal and found it to be reasonable.

The EPIC Dental plan was also discussed. This plan is available to most state employees and retirees. EPIC has requested a rate increase of 28% for annuitants and 14.2% for active employees. Deloitte Consulting found that the rate increases are in line with current industry trends and are reasonable.

MOTION: Mr. Baird moved to approve the rate changes and open enrollment for the DentalBlue and EPIC Dental plans. Ms. Doleschal seconded the motion, which passed without objection on a voice vote.

MISCELLANEOUS

Mr. Korpady referred the Board members to the various miscellaneous items included in the board packets.

MOTION TO CONVENE IN CLOSED SESSION

Mr. Frankel announced that the Board would convene in closed session pursuant to the exemptions contained in Wis. Stats. § 19.85(1)(a) for purposes of quasi-judicial deliberations. Staff from ETF and OSER were invited to remain during consultation with legal counsel. Ms. Walk and Ms. Esser were invited to remain during deliberations on the appeals.

MOTION: Mr. Beil moved to convene in closed session pursuant to the exemptions contained in Wis. Stat. § 19.85 (1)(a) for purposes of quasi-judicial deliberations. Mr. Sherman seconded the motion, which passed without objection on the following roll call vote:

Members Voting Aye: Baird, Beil, Blumer, Doleschal, Frankel, Hamblen, Olson, Schmiedicke, Sherman and Timberlake.

Members Voting Nay: None.

The Board convened in closed session at 11:21 a.m. and reconvened in open session at 1:38 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Appeals

- **2000-058-GIB** – The Board affirmed the hearing examiner's decision with amendments.
- **2003-102-GIB** – The Board dismissed the appeal on the basis of lack of jurisdiction.
- **2004-048-GIB** – The Board adopted the hearing examiner's proposed decision with amendments.

The Board was updated on *Helgeland, et al. v. DETF, et al.*, Case No. 2005-CV-1265.

ADJOURNMENT

MOTION: Mr. Beil moved adjournment. Ms. Timberlake seconded the motion, which passed without objection on a voice vote.

The Board adjourned at 1:41 p.m.

Dated Approved: _____

Signed: _____

Esther Olson, Secretary
Group Insurance Board